

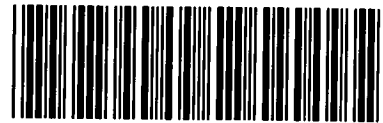
ANNUAL REPORTS AND FINANCIAL STATEMENTS

AXIS SPECIALTY FINANCE PLC

FOR THE YEAR ENDED 31 DECEMBER 2022

Company Registration No. 8831330

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**AXIS SPECIALTY FINANCE PLC
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

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AXIS SPECIALTY FINANCE PLC

OFFICERS AND OTHER INFORMATION

DIRECTORS

Sharon Nolan (Chair) (appointed 27th June 2022)
Sarah Hills
Alvaro Laguna-Lopez (appointed 6th January 2023)
Fintan Mullarkey (resigned 27th June 2022)
Tim Hennessy (resigned 2nd December 2022)

SECRETARY

Kelly Lawrence
52 Lime Street
London
EC3M 7AF
United Kingdom

REGISTERED OFFICE

52 Lime Street
London
EC3M 7AF
United Kingdom

PRINCIPAL BANKERS

Citibank NA
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

SOLICITORS

Willkie Farr & Gallagher (UK) LLP
27th Floor, Citipoint
1 Ropemaker Street
London
EC2Y 9AW
United Kingdom

STATUTORY AUDITOR

Deloitte LLP
1 New Street Square
London
EC4A 3HQ
United Kingdom

AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

The Directors present the strategic report for AXIS Specialty Finance Plc (the "Company") for the financial year ended 31 December 2022. The Company is registered in England and Wales and the registration number is 8831330.

PRINCIPAL ACTIVITIES

The Company is 100% owned by AXIS Specialty Holdings Bermuda Limited ("ASHBL"). The Company was incorporated on 3 January 2014 and received capital of USD 0.1 million from ASHBL.

The Company was established to issue USD 500.0 million of senior unsecured notes listed on the Irish Stock Exchange to public investors. On 5 March 2018, the notes were moved from the Irish Stock Exchange to the Bermuda Stock Exchange. AXIS Capital Holdings Limited ("AXIS Capital") provided a guarantee in respect of the obligations of the Company. In April 2019, USD 250.0 million of the senior unsecured notes listed matured and were redeemed. In December 2017, the Company issued an additional USD 350.0 million of senior unsecured notes listed on the Bermuda Stock Exchange to public investors.

The funds raised provided financing to related companies by way of inter-company loans.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

At 31 December 2022, the Company has USD 600.0 million (2021: USD 600.0 million) aggregate principal amount in senior unsecured notes ("notes") listed and traded on the Bermuda Stock Exchange.

- USD 250.0 million aggregate principal amount 5.15% 31 year notes issued on 13 March 2014 and maturing on 1 April 2045 (unless previously redeemed).
- USD 350.0 million aggregate principal amount 4.00% 10 year note issued on 6 December 2017 and maturing on 6 December 2027 (unless previously redeemed).

The net proceeds of both issues, after underwriting discount, offering costs and professional fees, was USD 592.5 million. Interest on both notes is payable semi-annually. AXIS Capital has fully and unconditionally guaranteed all obligations of the Company under the notes.

The proceeds of both notes were provided to related companies ASBHL, AXIS Specialty UK Holdings Limited ("ASUKHL") and AXIS Specialty Holdings Ireland Limited ("ASHIL") by way of intercompany loans.

At 31 December 2022, the loans net of underwriting discount, offering costs and professional fees, were USD 592.5 million (2021: USD 592.5 million). The terms on the intercompany loans are comparable to the notes except for a mark-up on the interest rates. Interest accrued on the loans is repayable semi-annually over the term of the loan. The loans are repayable either on demand, or on the maturity date of the related notes, whichever is earlier. The Directors are satisfied that the loans receivable from related companies are fully recoverable.

In April 2019, AXIS Specialty Limited ("ASL") entered into USD 390.0 million revolving credit facility to the Company for a 3 year term. This facility was listed on the Bermuda Stock Exchange in June 2019 and is made on terms equivalent to those that prevail in arm's length transactions.

On the same date, the Company entered the following facilities:

- AXIS Syndicate 1686 - a revolving credit facility of USD 160.0 million for a term of 3 years, made on terms equivalent to those that prevail in arm's length transactions.
- AXIS Syndicate 2007 - a revolving credit facility of USD 230.0 million for a term of 3 years, made on terms equivalent to those that prevail in arm's length transactions. Following the closure of Syndicate 2007, effective 31 December 2020, the revolving credit facility of USD 230.0 million provided to AXIS Syndicate 2007 was transferred to AXIS Syndicate 1686.

AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

At 31 December 2022, USD Nil had been drawn down under these facilities (2021: USD Nil). In January 2022, the facility agreements were amended with the loan term extended until April 2024 and the SOFR (Secured Overnight Financing Rate) replacing the LIBOR as the applicable rate of interest.

The Company reported a profit after taxation of USD 1.4 million for the year ended 31 December 2022 (2021: USD 1.3 million).

There is not expected to be any significant changes to the principal activities of the Company in 2023.

KEY PERFORMANCE INDICATORS

The Directors and management closely monitor the performance (income, expenses and liquidity) of the Company on a regular basis. The Company generated interest income of USD 29.0 million (2021: USD 28.9 million). The Company has cash at bank of USD 7.2 million (2021: USD 6.1 million), USD 4.4 million (2021: USD 4.4 million) accrued interest receivable and USD 4.2 million (2021: USD 4.2 million) accrued interest payable at year-end.

There were no changes to the activities of the Company in 2022 and the results are broadly consistent with prior year and in line with management's expectations. The liquidity position is discussed in the principal risks and uncertainties section below.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks are credit, operational and liquidity risk.

Credit risk represents the risk of incurring financial loss due to diminished creditworthiness (reduced financial strength and, ultimately, possible default). The Company's largest credit risk exposure relates to the intercompany loans receivable from group companies. The Company manages credit risk through regular monitoring of the recoverability of the intercompany loans receivable.

Operational risk represents the risk of loss as a result of inadequate processes, system failures, human error or external events, including but not limited to direct or indirect financial loss, reputational damage and legal and regulatory penalties. The Company manages operational risk through the application of strong process controls, which are reviewed on a regular basis.

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses, monitors and manages its liquidity needs on an ongoing basis. This risk is also significantly mitigated by the guarantee of all obligations of the Company under the notes by AXIS Capital. The Company has observed no liquidity issues and has been able to make all loan repayments as required during the year. The Company has also no capital issues and has not defaulted on any payments during the year.

The threat and outcome relating to COVID 19 are better understood now than in the earlier stages, but the ultimate scale and scope remains uncertain. The Company has not observed any material adverse impact due to COVID-19.

The company is a member of AXIS Capital. AXIS Capital remains focused on addressing the impact of climate change. AXIS Capital established a Climate Change Working Group in 2019 which includes representation for the Company and focuses specifically on climate-related risks and opportunities to ensure they are identified and managed in line with the standard risk management framework.

AXIS Capital's Fossil Fuel policy limiting thermal coal and oil sands underwriting and investment went into effect on 1 January 2020 and was strengthened further in 2021. Further details on group wide energy and carbon reduction initiative has been documented in the Corporate Citizenship section of the AXIS Capital Holdings Annual Report which can be obtained from the AXIS website.

The Company does not meet the criteria to require streamlined energy and carbon reporting. Annual energy usage is less than 40,000 kilowatt-hours and consequently would not breach the threshold for disclosure of such information.

AXIS SPECIALTY FINANCE PLC

STRATEGIC REPORT

SECTION 172 STATEMENT

The Directors act in accordance with their duty under section 172 of the Companies Act 2006 in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

The Company Board is responsible for leading and directing the Company and for ensuring that it meets its legal and regulatory requirements. The Company operates in line with local laws and regulations in delivering the strategy of its ultimate holding company, AXIS Capital Holdings Limited, to which it regularly reports matters that affect the group.

To ensure consistent standards, AXIS Capital applies group-wide policies across all of its subsidiaries and business operations. The Company adopts these policies either directly or (where local laws and regulations need to be addressed) within its own board approved policies.

The Company directors are committed to the strategic vision and goals of its ultimate parent company. In supporting the AXIS group, the Company directors work to create value ensuring a robust and effective governance. The board are only required to meet on an annual basis. The board receives information from key functions of the business allowing the directors to fully understand performance and ensure the implementation of group strategy.

The Board considers that by adhering to legal and regulatory requirements and implementing AXIS group policies and strategy, their actions have sufficient regard to the following:

- the likely consequences of any decision in the long term;
- the need to foster the Company's business relationships;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company (consisting of one shareholder ASBHL, a related company).

The Company does not have any employees and has no material external customers or suppliers.

This report was approved by the Board of Directors on 25 May 2023 and signed on its behalf by

Sharon Nolan

Sharon Nolan
Director

Date: 25 May 2023

AXIS SPECIALTY FINANCE PLC

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the financial year ended 31 December 2022.

Refer to the strategic report on page 3 for details of the principal activity, review of business, use of financial instruments and future developments of the Company. The Directors are satisfied with the performance of the Company to date.

EVENTS SINCE FINANCIAL YEAR END

There have been no significant events affecting the Company since the financial year end.

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a minimum of twelve months from submitting its annual returns and to adopt a going concern basis in preparing its annual reporting requirements.

Further details regarding the adoption of the going concern basis can be found in note 1.

DIVIDENDS

The Directors propose a USD 5.0 million dividend for the year (2021: Nil).

DIRECTORS AND THEIR INTERESTS

The names of the persons who were Directors at any time during the year ended 31 December 2022 and up to the date of signing are set out on page 2 of the financial statements. Unless indicated the Directors served for the entire year. In accordance with the Articles of Association the existing Directors shall continue in office until resignation or removal.

No Director had any interest in the share capital of the Company at any time during the year.

DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

AUDITOR AND THE DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made inquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make him/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

AXIS SPECIALTY FINANCE PLC

DIRECTORS' REPORT

AUDITOR

The independent auditor Deloitte LLP, have signified their willingness to continue in office in accordance with the Companies Act 2006.

Approved by the Board of Directors
And signed on behalf of the Board

Sharon Nolan

Sharon Nolan
Director
Date: 25 May 2023

AXIS SPECIALTY FINANCE PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information published by the Company. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS SPECIALTY
FINANCE PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of AXIS Specialty Finance plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matter identified in the current year was the recoverability of intercompany loans.

Within this report, key audit matters are identified as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

	ⓘ Newly identified
	⤴ Increased level of risk
	⊕ Similar level of risk
	⤵ Decreased level of risk

Materiality	The materiality that we used in the current year was \$11.8m which was determined on the basis of total amortised cost of debt.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes to our audit approach from the prior year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding the company's processes and related controls and testing relevant controls;
- evaluating financing facilities including nature of facilities, repayment terms and covenants;
- taking into account the guarantees given by the parent company, evaluating the recoverability of intercompany loans (as set out in the key audit matters section) and the ability of fellow group companies to continue to service the intercompany loans;
- assessing current year performance and year-end position; and
- performing subsequent events review.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

5.1. Recoverability of Intercompany loans (↔)

Key audit matter description	<p>Intercompany loans to group undertakings are stated in the balance sheet at \$595,411k (2021: \$594,828k). The company has issued unsecured loan notes to investors which are used to provide financing to group companies. The loan notes issued to investors are supported by intercompany loans receivable from other group companies.</p> <p>The directors must assess whether any of the receivables should be impaired based on the financial position and future prospects of the group companies to which loans have been made. This takes into consideration a range of factors such as the trading performance, and the financial position of the group companies and the group parent company. As the company has no other material sources of income, it is dependent on the recoverability of the intercompany loans and associated interest. The recoverability of the intercompany loans is therefore also relevant to the overall assessment of going concern, as described in the Conclusions Relating to Going Concern section of our opinion above.</p> <p>Further details are included within accounting policies note 1 and loans to group undertakings note 7 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit approach included:</p> <ul style="list-style-type: none">• Obtaining an understanding of relevant controls related to the recoverability of loans from group undertakings;• Assessing the directors' judgements regarding the appropriateness of the carrying value through the following:<ul style="list-style-type: none">○ Obtaining the latest audited financial information;○ Obtaining an understanding of the expected future trading performance of the group undertakings and by assessing the ability of the group undertakings to repay these amounts; and○ Assessing the historical accuracy of management's forecasts by comparing the actual results to forecasts;• Confirming the intercompany loan balances with the respective group companies' auditor; and• Performing a recoverability analysis to assess whether the recoverability of the loans is supportable based on the evidence available in respect of the relevant intergroup counterparties and assessing any related impact on the going concern assertion for the company.
Key observations	<p>Based on the work performed, we concluded that the intercompany loans to group undertakings are appropriately stated.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

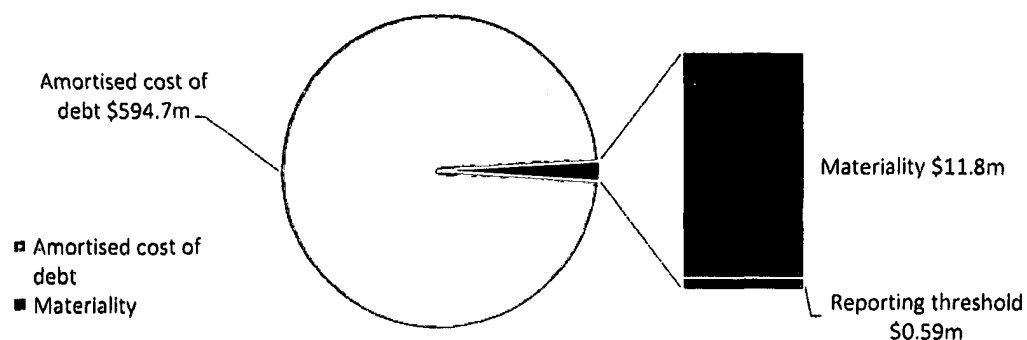
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$11.8m (2021: \$11.8m)
Basis for determining materiality	2% of total amortised cost of debt (\$594.7m) (2021: 2% of total amortised cost of debt (\$594.3m))
Rationale for the benchmark applied	We determined materiality based on total amortised cost of debt as the company's principal activity is to issue listed debt to public investors.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

- our understanding of the entity and its control environment and the nature of its operations; and
- the lack of historical misstatements and the lack of prior year uncorrected misstatements.

6.3. Error reporting threshold

We agreed with those charged with governance that we would report all audit differences in excess of \$590k (2021: \$590k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We performed the following:

- Obtained an understanding of relevant controls related to financial reporting, journal processing and segregation of duties; and
- Obtained an understanding of the annual control over recoverability of intercompany loan receivables.

We did not identify any control deficiencies and have not placed reliance on controls.

7.3. Our consideration of climate-related risks

The entity continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 4.

We performed the following procedures:

- Obtained an understanding of management's process for considering the impact of climate-related risks through discussions with management;
- Obtained an understanding of management's process for considering climate change risks and assess whether this is appropriate;
- Considered the viability of fellow group companies given their climate-related risks, if any; and
- Read the annual report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management and directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the recoverability of intercompany loans. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the recoverability of intercompany loans as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AXIS SPECIALTY FINANCE PLC

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

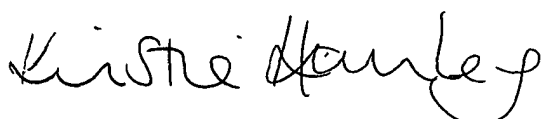
13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kirstie Hanley, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 May 2023

AXIS SPECIALTY FINANCE PLC
PROFIT AND LOSS ACCOUNT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Year Ended 31 December 2022	Year Ended 31 December 2021
	Notes	USD '000	USD '000
Administrative expenses	2	(53)	(52)
Interest receivable from group undertakings	3	28,958	28,932
Other interest receivable and similar income	3	89	3
Interest payable and similar expenses	4	(27,306)	(27,288)
Foreign exchange gains/ (losses)		5	(1)
PROFIT BEFORE TAXATION		1,693	1,594
Tax on profit	6	(297)	(303)
PROFIT AFTER TAXATION		1,396	1,291

There were no items of comprehensive income in the current or prior year other than the profit/loss for the year and, accordingly, no statement of comprehensive income is presented.

All of the results are derived from continuing operations. The accompanying notes form an integral part of the financial statements.

AXIS SPECIALTY FINANCE PLC
BALANCE SHEET AS AT 31 DECEMBER 2022

	Notes	2022 USD '000	2021 USD '000
ASSETS			
Fixed assets			
Loans to group undertakings	7	595,411	594,828
		<u>595,411</u>	<u>594,828</u>
Current assets			
Debtors: falling due within one year			
Prepayments and accrued income	7	4,408	4,408
Amounts owed by group undertakings		2	4
Cash at bank and in hand		7,159	6,097
		<u>11,569</u>	<u>10,509</u>
TOTAL ASSETS		<u>606,980</u>	<u>605,337</u>
Capital and reserves			
Called-up share capital	8	100	100
Profit and loss account		7,468	6,072
TOTAL SHAREHOLDER'S FUNDS		<u>7,568</u>	<u>6,172</u>
LIABILITIES			
Creditors: falling due after one year			
Senior unsecured notes	9	594,728	594,297
Creditors: falling due within one year			
Amounts owed to group undertakings		179	—
Other creditors including taxation	11	4,505	4,868
TOTAL LIABILITIES		<u>599,412</u>	<u>599,165</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS		<u>606,980</u>	<u>605,337</u>

The accompanying notes form an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 25 May 2023.

Signed on behalf of the Board of Directors

Sharon Nolan

Sharon Nolan
Director

Alvaro Laguna-Lopez

Alvaro Laguna-Lopez
Director

AXIS Specialty Finance plc
Registered No. 8831330

AXIS SPECIALTY FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Share Capital USD '000	Profit and Loss USD '000	Total USD '000
As at 1 January 2021	100	4,781	4,881
Total comprehensive income	—	1,291	1,291
As at 31 December 2021	100	6,072	6,172
Total comprehensive income	—	1,396	1,396
As at 31 December 2022	100	7,468	7,568

There were no items of comprehensive income in the current or prior year other than the profit/loss for the year and, accordingly, profit for the financial year is equal to total comprehensive income.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

General Information

The Company is a public limited company by shares, incorporated in the United Kingdom on 3 January 2014. The registered office is 52 Lime Street, London, EC3M 7AF, United Kingdom, which is also the principal place of business of the company.

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) and applicable law of England and Wales. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the disclosure exemptions available under FRS 102 paragraph 1.12 in respect of presentation of a cash-flow statement on the basis that it is a qualifying entity and is consolidated into the group accounts of its parent company, AXIS Capital, incorporated in Bermuda.

The financial statements are presented in thousands of US Dollars (USD '000) unless otherwise stated. The functional currency and presentational currency is US Dollars because that is the currency of the primary economic environment in which the Company operates.

Going concern and subsequent events

The Company's business activities, performance and position along with the objectives, policies and processes for managing its principal risks and uncertainties are set out in the Strategic Report.

The Directors have not projected any significant changes to the Company and there is no material uncertainty regarding the Company's ability to meet its liabilities as they fall due. As such, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash at bank

Cash consists of cash at bank.

Amounts owed to/from group undertakings

Intercompany loans provided to group companies are recorded at discounted value with the discount amount amortised. The Company amortised the debt offering costs (e.g. underwriting, legal and other professional fees) and the offering discount over the term of the outstanding loan using the effective yield method. Intercompany receivables are assessed for recoverability and any impact on impairment on at least an annual basis. Interest income on intercompany loans receivable is recognised in the profit and loss account over the term of the loan using the effective interest method.

Senior unsecured notes

The issuance of long-term debt is recorded at discounted value with the discount amount amortised. The Company amortises the debt offering costs (e.g. underwriting, legal, and other professional fees) and the offering discount over the term of the outstanding debt using the effective yield method. The interest expense relating to long term debt is recognised in the profit and loss account over the term of the instruments at a constant rate on the carrying amount.

Administration expenses

Administration expenses are recognised on an accruals basis.

Taxation

Current UK corporation tax is provided on amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES (continued)

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallize based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more than likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

The functional currency of the Company is the US Dollar (USD) because that is the currency of the primary economic environment in which the Company operates.

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rate of exchange ruling at the balance sheet date and revenues and costs are converted at the rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies have been recorded at historical rates. Profits and losses arising from foreign currency transactions and on settlement of accounts receivable and payable in foreign currencies are dealt with through the profit and loss account.

Critical accounting judgments and sources of estimation uncertainty

In the application of accounting policies, judgments, estimates and assumptions are required regarding the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no significant judgements made during the year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There are no estimates and assumptions that have a significant risk of causing a material uncertainty to the carrying amounts of assets and liabilities within the next financial year.

2. ADMINISTRATIVE EXPENSES

Auditor's remuneration relating to the audit of financial statements for the Company for 2022 was USD 18,149 (2021: USD 20,608) and was borne by another group company.

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 31 December 2022 USD '000	Year Ended 31 December 2021 USD '000
Interest income and amortisation	28,958	28,932
Investment income	89	3
	<u>29,047</u>	<u>28,935</u>

Interest income and amortisation is derived from loans to ASHBL, ASHIL and ASUKHL of the net proceeds of the issue of the senior unsecured notes to public investors. Interest income and amortisation includes interest receivable and amortisation of offering discounts, debt offering expenses and professional fees borne by ASHBL, ASHIL and ASUKHL. These costs are amortised over the duration for which the intercompany loans remain outstanding.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31 December 2022 USD '000	Year Ended 31 December 2021 USD '000
Interest expense	(26,875)	(26,875)
Amortisation of debt offering expenses	(330)	(316)
Amortisation of debt offering discounts	(101)	(97)
	<u>(27,306)</u>	<u>(27,288)</u>

Interest expense and amortisation recognised in relation to the senior notes includes interest payable and amortization of the offering discounts and debt offering expenses. The offering discounts and debt offering expenses amortized over the duration for which the senior notes remain outstanding.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Company has no employees (2021: nil).

The directors are also executives of related group companies. It is not practicable to allocate this between their services as executives of group companies and their services as directors of the Company. There were no director emoluments charged to the profit and loss account of the Company and director emoluments are paid by another group company.

6. TAXATION ON PROFIT

	Year Ended 31 December 2022 USD '000	Year Ended 31 December 2021 USD '000
Corporation tax:		
UK Tax	<u>297</u>	<u>303</u>

The current tax charge for the year is as expected from applying the standard rate of UK corporation tax to the profit before tax as outlined below:

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6. TAXATION ON PROFIT (continued)

	Year Ended 31 December 2022 USD '000	Year Ended 31 December 2021 USD '000
Profit before tax	<u>1,693</u>	<u>1,594</u>
Profit multiplied by the standard rate of UK corporation tax for the year of 19 % (2021: 19%)	<u>322</u>	<u>303</u>
Effects of:		
Adjustment to tax change in respect of prior financial year	<u>(25)</u>	<u>—</u>
	<u>297</u>	<u>303</u>

In line with the UK Chancellor's announcement in the Spring 2022 budget statement, the corporate tax rate will be increasing to 25% from 1 April 2023.

7. LOANS TO GROUP UNDERTAKINGS

As at 31 December 2022, the Company provided the following loans to the below related companies:

ASHBL	USD 158.1 million 4.25% 10 year tranche, net of costs.
ASHIL	USD 91.9 million 5.4% 28 year tranche, net of costs.
ASUKHL	USD 191.9 million 4.25% 10 year tranche, net of costs; and USD 158.1 million 5.4% 28 year tranche, net of costs.

At 31 December 2022, the amortised value of the intercompany loans were USD 595.4 million (2021: USD 594.8 million), representing the initial proceeds of the debt issue net of underwriting discount, offering costs and professional fees associated with the issue plus amortisation of these costs to 31 December 2022. The loans are repayable either on demand, or on the maturity date of the related notes, whichever is earlier. At 31 December 2022, the accrued interest receivable associated with the loans was USD 4.4 million (2021: USD 4.4 million).

On 18 April 2019, the Company entered a revolving credit facility with AXIS Syndicate 1686 of USD 160.0 million and with AXIS Syndicate 2007 of USD 230.0 million for a term of 3 years, at LIBOR plus 1.5%, net of costs. Following the closure of Syndicate 2007, effective 31 December 2020, the revolving credit facility of USD 230.0 million provided to AXIS Syndicate 2007 was transferred to AXIS Syndicate 1686.

As at 31 December 2022, USD Nil (2021: USD Nil) had been drawn down under this facility.

In January 2022, the facility agreement was amended with the loan term extended until April 2024 and the SOFR (Secured Overnight Financing Rate) replacing the LIBOR as the applicable rate of interest.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8. CALLED UP SHARE CAPITAL

	2022	2021
	USD '000	USD '000
Authorised		
100,000 ordinary shares of USD 1 each	<u>100</u>	<u>100</u>
Called up, allotted and fully paid		
100,000 ordinary shares of USD 1 each	<u>100</u>	<u>100</u>

The Company received the capital of USD 0.1 million from ASHBL effective 31 March 2014.

9. SENIOR NOTES

	2022	2021
	USD '000	USD '000
Amounts falling due after one year		
Senior notes	600,000	600,000
Bond discount and underwriting fees	<u>(5,272)</u>	<u>(5,703)</u>
	<u>594,728</u>	<u>594,297</u>

On 13 March 2014, the Company issued USD 500.0 million of senior unsecured notes to public investors. The notes were issued in two tranches:

- USD 250.0 million aggregate principal amount 2.65% 5 year notes which matured on 1 April 2019; and
- USD 250.0 million aggregate principal amount 5.15% 31 year notes maturing on 1 April 2045 (unless previously redeemed).

Interest on the notes is payable semi-annually commencing 1 October 2014 and ending on the respective maturity dates. On 1 April 2019, the 5 year tranche of public debt of USD 250.0 million was repaid in line with its maturity date and the intercompany loan receivable from ASHBL was also repaid.

On 6 December 2017, the Company issued an additional USD 350.0 million aggregated principal amount 4.0% 10 year note to public investors maturing on 6 December 2027 (unless previously redeemed). Interest on the note is payable semi-annually commencing 6 June 2018 and ending on the maturity date.

AXIS Capital has fully and unconditionally guaranteed all obligations of the Company under these notes. The senior notes balance as at 31 December 2022 of USD 594.7 million (2021: USD 594.3 million) consists of the net proceeds generated from the issue of USD 592.5 million after settlement of underwriting discount, offering cost and professional fees plus amortisation of these fees.

10. LOAN FROM GROUP UNDERTAKINGS

On 18 April 2019, AXIS Specialty Limited ("ASL") agreed to loan USD 390.0 million in a revolving credit facility to the Company for a 3 year term, at LIBOR plus 1.5%. This facility was listed on the Bermuda Stock Exchange in June 2019 and is made on terms equivalent to those that prevail in arm's length transactions. As at 31 December 2022, USD Nil had been drawn down under these facilities (2021: USD Nil).

In January 2022, the facility agreement was amended with the loan term extended until April 2024 and the SOFR (Secured Overnight Financing Rate) replacing the LIBOR as the applicable rate of interest.

AXIS SPECIALTY FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11. CREDITORS FALLING DUE WITHIN ONE YEAR

	2022	2021
	USD'000	USD'000
Other creditors including taxation:		
Accrued interest expense	4,191	4,191
Corporation tax payable	314	677
	<u>4,505</u>	<u>4,868</u>

12. POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the financial year end.

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure exemption available in FRS 102 Section 33. All related party transactions are with entities that are wholly owned by the ultimate parent.

14. IMMEDIATE AND ULTIMATE PARENT COMPANY

The Directors regard AXIS Specialty Holdings Bermuda Limited with a registered address at AXIS House, 92 Pitts Bay Road, Pembroke, HM08, Bermuda, as the immediate parent company and regard AXIS Capital, a company incorporated in Bermuda, as the ultimate parent company. The smallest and largest group into which the financial statements of AXIS Specialty Finance plc are consolidated is AXIS Capital. Copies of the group financial statements may be obtained from AXIS Capital, AXIS House, 92 Pitts Bay Road, Pembroke, HM08, Bermuda or from its website at www.axiscapital.com.